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Bimetallism.





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BIMETALLISM.

SPEECH

BY THE RIGHT HONOURABLE

HENRY CHAPLIN, M.P.,

IN THE HOUSE OF COMMONS,

June 4th, 1889.

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SPEECH IN THE HOUSE OF COMMONS,

June 4th, 1889.

On the Speaker taking the chair at the evening sitting,

The Right Hon. HENRY CHAPLIN, who was received with cheers, rose to move the following motion:—

“To call attention to the Report of the Royal Commission appointed to inquire into the recent changes in the relative value of the precious metals; and to move that this House considers that the recent divergence in the value of the precious metals is prejudicial in the highest degree to the finances and the Government of India, and that it seriously adds to the difficulties of trade between the United Kingdom and countries which possess a silver standard; it is further of opinion that the divergence has been primarily due to the monetary changes which occurred upon the Continent, and to the abandonment of the bimetallic system which had prevailed in certain European countries prior to 1873; it has also viewed with great regret the recent and prolonged depression in trade and agriculture, and the consequent irregularity of employment for vast numbers of the population to which it believes that these changes have contributed in a material degree; and it therefore urges on Her Majesty’s Government the importance of consulting the

chief commercial nations, such as Germany and the United States, together with France and the other countries which comprise the Latin Union, as to their readiness to join with the United Kingdom in a conference for the purpose of considering whether and how far a bimetallic system can be re-established by international agreement in the interest of all the nations and communities concerned."

Mr. CHAPLIN said : Mr. Speaker,—Sir, I feel that I owe an apology to the House for having undertaken to introduce this question to its notice, and I am exceedingly sorry, indeed, to be obliged to trespass upon them at a time which I fear is equally inconvenient to many hon. members, as it is unfortunate for the motion now before the House. It is the fortune, however, of war, or rather of the ballot, that I should be compelled to move this resolution upon the present occasion. Moreover, I could have wished that it had fallen to the lot of some one among the number of those eminent financial authorities whom we are able to reckon in this House, or, at all events, to a member of greater parliamentary position and influence than myself. For, Sir, I have never attempted to disguise for a moment from myself, in connection with this question, whether it be with regard to the multitude of subjects which it touches, and the number and great variety of the interests which it may affect, or to its intricate and complicated character and the difficulty of making it thoroughly understood, or to the extent and possible scope of its effects if the views of the bimetallists should at any time prevail, that this is essentially a question which ought not to be dealt with on any light or insufficient grounds. (Hear, hear.) I will not, however, waste the time of the House with further useless apologies ; but I will proceed at once to the discharge of the task which is before me. No one knows better than myself the difficulty of treating this subject in a complete and

adequate fashion, yet I venture to hope that I may be able to present my views upon it in a form which may induce many hon. members on both sides of the House to favourably regard the resolution which I intend to conclude by submitting to the verdict of the House. The motion which I have placed on the paper refers to the Report of the Currency Commission, and I wish to correct, in the first place, a wide misapprehension which appears to prevail as to the conclusions which were arrived at by the Commissioners in their report, or rather in their reports, of which I may remind the House that there are three. Now, I have seen, and I have heard it constantly stated, and sometimes in quarters which I confess not a little surprised me, that in regard to the various matters which were committed to their inquiry the Commissioners were hopelessly divided in their opinions. My right hon. friend the Chancellor of the Exchequer himself, in reply to a question put to him on the 2nd of April last in this House by my hon. friend, the member for North Kensington, fell into this error. He was asked by my hon. friend whether his attention had been drawn to the declaration of the Indian Government in the Budget statement for the year, to this effect:—"That no solution of the currency question is possible without international agreement." And he replied as follows:—

"If the hon. member means by the 'currency question' the question of bimetallism, then it is true that no solution is possible without international agreement. But the point is whether it would be possible even with international agreement. That is a question upon which the Royal Commission is hopelessly divided."

Now, Sir, I venture to say, with all possible respect for my right hon. friend, that that expression of opinion on the part of the Chancellor of the Exchequer, as I will prove to the House in a moment, is an absolutely misleading and

inaccurate statement; for that is precisely one of the points, and a most important point it is, upon which the Commissioners, so far from being hopelessly divided, one and all of them put their names to paragraphs in which they were absolutely unanimous, in opinion. (Hear, hear.) Let me remind the House of the facts of the case. That Commission was appointed to inquire into four things in particular—firstly, as to the causes of the divergence in the relative value of the precious metals; secondly, into the consequences which had followed upon that divergence, and whether they were causing permanent and important evils; thirdly, if that was found to be the case, whether a remedy was possible; and, fourthly, if a remedy was possible, whether it would be expedient in the general interest to adopt it, and whether it could be adopted without giving rise to greater and more serious evils than those which it was desired to remove. And that I believe to be a summary—a fair and accurate summary—of the general instructions and reference to that Commission. Now, sir, with regard to the first and third of these points, namely, as to the causes of the evils and the possibility of a remedy, it is only necessary to turn to two or three paragraphs of the report itself to ascertain, beyond the possibility of a doubt, what were the views of the Commissioners themselves. I am sure I do not wish to delay the House upon this question, which is long enough in itself, for a moment longer than I can help; but I trust they will pardon me if I quote three short paragraphs upon these points, for it is a matter of the first importance. With regard to the first point, namely, the causes of the divergence, the views of the Commissioners will be found in paragraphs 192 and 198 of Part I. of the report. In paragraph 192 there occurs this passage:—

“Undoubtedly the date which forms the dividing line between an epoch of approximate fixity in the relative value

of gold and silver and one of marked instability is the year when the bimetallic system, which had previously been in force in the Latin Union, ceased to be in full operation; and we are irresistibly led to the conclusion that the operation of that system, established as it was in countries the population and commerce of which were considerable, exerted a material influence upon the relative value of the two metals. So long as that system was enforced we think that, notwithstanding the changes in the production and use of the precious metals, it kept the market price of silver approximately steady at the ratio fixed by law between them—namely, $15\frac{1}{2}$ to 1.”

And then, again, in Section 198 they say:—

“The action of the Latin Union in 1873 broke the link between silver and gold which had kept the price of the former, as measured by the latter, constant at about the legal ratio; and when this link was broken the silver market was open to the influence of all the factors which go to affect the price of a commodity.”

Those paragraphs are signed by all the twelve Commissioners, and it shows, I think, pretty clearly what was their view as to the cause of the divergence. Now, as to the second point, namely, as to the possibility of a remedy, their views will be found in Section 107 of Part II. of the report. This is what they say:—

“The first step towards answering the inquiry we have proposed to ourselves is to determine the subsidiary question whether a bimetallic arrangement could create and maintain a stable ratio between silver and gold. We think that in any conditions fairly to be contemplated in the future, so far as we can forecast them from the experience of the past, a stable ratio might be maintained if the nations we have alluded to were to accept and strictly adhere to bimetallism at the suggested ratio. We think that if in all these countries gold and silver could be freely coined, and thus exchangeable

against commodities at the fixed ratio, the market value of silver, as measured by gold, would conform to that ratio, and not vary to any material extent."

Now, that paragraph, again, is adopted by all the twelve Commissioners, and I confess I am quite unable to see the "hopeless division" of opinion of which my right honourable friend (the Chancellor of the Exchequer) spoke when he gave the answer, to which I have referred, to the question which was put to him; and the only modification of that view, I beg the House to observe, is to be found in a memorandum at the end of Part II., in which two of the Commissioners out of the twelve—one of them, I acknowledge, of great authority, whom I am delighted to see present in the House to-night, my honourable friend, the honourable baronet, the member for the London University (Sir John Lubbock); and the other, Mr. Birch, one of the Directors of the Bank of England—express their doubts as to the permanent stability of any given ratio, although even they admit that it could, and in all probability would, be maintained for a very considerable period of time. Where the Commissioners differed, and the only respect in which they differed so far as I know, was in this, namely, as to the gravity of some of the evils which were alleged, and the expediency of the remedy which we recommend. Six of the Commissioners, of whom I had the honour to be one, were of opinion that the evils in question were of such a magnitude, and were so sufficiently proved, as to call for a remedy, and to call for it without delay. The remaining six, upon the other hand, while admitting the existence of many of the evils, and denying none of them, and while acknowledging in those cases, even where they had doubts, that they deserved the gravest consideration, yet were of opinion that, with regard to some of them, and only some of them, they had not been proved to their entire satisfaction, and consequently they

were afraid of proposing the remedy which we recommend, although they acknowledged it was possible, and would probably be efficacious. (Hear, hear.) The House therefore will perceive that on the two principal points of the inquiry, around which in the past the bimetallic controversy has been chiefly waged, the whole twelve Commissioners, so far from being "hopelessly divided," have been shown to be practically unanimous in opinion—(hear, hear)—and that I venture to regard as a striking and a marked advance in our position, even if the Commission had been fruitful in nothing else, which most certainly is not the case. Sir, I apologise to the House for dwelling at such length on these points; but they are matters of the very first importance, upon which it is evident that there have been wide misapprehensions, and which I hope I have done something to set at rest to-night. That is one misapprehension to which I was anxious to call attention at the outset; and another is this: In Section 120 of Part II. of the report there will be found a statement which is vouched for by the President of the Commission, and by five of our colleagues, as one of the reasons against the adoption of bimetallism, to this effect, namely, "That the change which we propose is tremendous, and that the novelty of our proposal in itself is sufficient to excite apprehensions which might not be without danger." Again, Sir, I venture to say, with all possible respect, that that is a statement which is eminently and entirely calculated to mislead. I affirm distinctly and categorically, and I challenge contradiction upon this point, that it is an entire mistake to suppose that there is anything whatever new in what is called bimetallism. On the contrary, although it is perfectly true that in this country we adopted a gold standard, and became monometallic ourselves in 1816, prior to which we were always distinctly either bimetallic or in the enjoyment of a silver standard, yet bimetallism existed all that time upon the Continent, and

we in England lived, and all the business of the world was conducted under the full effects and advantages, whatever they may have been, of a bimetallic system, which were felt and were universal in all the civilised countries of the world ; for the whole of the present century, and indeed, in one form or another, for a period long before that, probably at least 200 years prior to the year 1873. And the only novelty, if novelty indeed it is at all, in our proposition is this—that England should take the lead in asking other nations to consider whether it would be possible to revert to such a system with advantage to all the communities concerned ; and, if that were so, that she should join with them in the endeavour to arrive at a common understanding for the purpose. Well, Sir, those appeared to me to be two very common and prominent misapprehensions which it was desirable to deal with at the outset of my observations. And now, I think, in order to make myself intelligible to hon. members, some of whom perhaps may not have studied this question thoroughly for themselves, I ought, perhaps, to preface what I have to say by a reference, however brief, to the history of this question in the past, and to explain, in the first place, exactly what the bimetallic system was as it prevailed up to 1873. Having done that I will endeavour to show, in the second place, the circumstances which brought it to an end ; thirdly, I will try to explain the consequences which have followed upon its abandonment ; and, fourthly, I will endeavour to show to the House exactly what it is that we propose. Now, Sir, with regard to the first point, it is unnecessary for the purpose of my argument, I hope, to go back beyond the present century, and, within the limits of that period, the history of the question is very briefly this : From as far back as 1803 up till 1873 the Mint of France, and from 1865 to 1873 the mints of certain other countries on the Continent belonging to what was known as the Latin Union, in which France also was included, were open to the free

coinage of silver—that is to say, to the unlimited coinage of silver as well as of gold. The countries which composed the Latin Union were five, namely, France, Belgium, Spain, Italy, and afterwards Greece ; and their mints were compelled by law to convert into coin all the silver and all the gold that was brought to them at a given weight and fineness. The effect of that law was to establish a fixed proportionate value, or, as it is more commonly termed, a fixed ratio between them, that ratio at the time being in the proportion of $15\frac{1}{2}$ of silver to one of gold. All the silver thus converted into coin became legal tender money, available for the discharge of debts to any amount in the world within the limits of the several States of the Union, equally with gold, at the ratio which was fixed by law. Now that was the system which was known as bimetallism. It had existed in France for nearly the whole of the present century, beginning in 1803, and it continued to prevail both in France and the other countries I have mentioned without cessation from 1865 up till 1873. Now, the results of that system were threefold, and were as follows : In the first place it gave to silver a position and a value as legal tender money equally with gold ; secondly, the relative value of silver and of gold never varied during the whole of that time, except within the narrowest possible limits, but remained practically steady ; and, thirdly, although the practice of the system was limited to the five countries I have named, the effects of the system were universal, and were felt and were enjoyed by all the civilised countries in the world. And, indeed, as a matter of fact, as one of our witnesses pointed out to the Commission, we in England for all those years were living under bimetallism, though we might not know it, just as surely as our forefathers lived under the laws of gravitation prior to the time of Newton, although they did not know it either. Unfortunately, however, in 1873, or, to be strictly accurate,

shortly before that time, something happened which ultimately led to the abandonment of the bimetallic system ; and what is a curious and most remarkable coincidence, and I beg the House to observe it, is this—that, concurrently with the disappearance of bimetallism there set in a period of severe, prolonged, and unprecedented depression in almost every industry you can mention, both here and on the Continent, and for which no human being has ever yet been able to assign any other valid or sufficient reason ; and although I gladly acknowledge that in some industries and some trades there have been signs of improvement lately, yet with regard to many others, notably with regard to the cotton industry in Lancashire, the agricultural industry as a whole, and I am afraid I must add the iron industry and many others in this country, there has been continued depression from that period up to the present moment. Now, what ultimately led to its abandonment was the demonetisation of silver by Germany. Germany, which had previously had a purely silver currency, determined for whatever reason I cannot say, but for some reason no doubt which at the time seemed to be good and sufficient to herself, to convert her silver currency into a gold one. A favourable opportunity was presented by the payment of the enormous indemnity by France to Germany at the close of the Franco-German war ; and the German policy in that respect was accordingly carried out with results which it is absolutely certain were neither foreseen nor contemplated at the time. Large quantities of the silver which had been withdrawn from circulation in pursuance of this policy in Germany were brought to the French and Belgian mints, who, as I have already pointed out, were bound by law to coin them. Enormous and unprecedented quantities of silver in consequence were coined in this way at the French and Belgian mints in the course of a single year alone. Their gold was leaving them and being exported to Germany at

the same time in immense quantities. I believe that something like 50 millions sterling were exported in one year from those two countries to Germany—the greater part going either directly or indirectly from France, and these two countries naturally became apprehensive lest they should be left with silver alone. A convention of the States of the Latin Union accordingly was summoned. That convention was held, and, without wearying the House with details, the general result was this: It was decided in the month of January, 1874, to limit the annual coinage of silver to a fixed amount in each of the five countries in future. The free coinage of silver, therefore, and that is the cardinal point, without which the maintenance of the fixed ratio became impossible for the future, was suspended at that date, and from that moment the bimetallic system ceased to exist. Well, Sir, I am quite aware that that is a most imperfect and perfunctory description of the monetary changes at that time, but it may perhaps be sufficient to enable honourable gentlemen to follow me in the argument which I desire to submit to the House. Now, I want the House to go to the next step, and consider what have been the consequences of these changes, and the way in which various interests, both here and in other countries, have been and are being affected by them. The consequences of these changes, in my opinion, for the purposes of this discussion, have been mainly two. They led, in the first place, to a marked appreciation of gold, and, in the second place, to a wide divergence in the relative value of the precious metals. With the permission of the House I should like to say a word or two on each of these subjects in turn. Now, the fact of the appreciation of gold, I think, can scarcely be denied; indeed, it is only another name for a general fall in the prices of commodities—(hear, hear)—and that there has been such a general fall in a vast number of articles since 1873 is not a matter

of opinion, but is a matter of fact which cannot be denied. (Hear, hear.) Now, I do not mean to say that the whole of the fall in price has been due by any means to the appreciation of gold alone. On the contrary many other causes have contributed to that fall as well, and I imagine it is quite impossible for any one to decide precisely how much of the fall is owing to the one cause, and how much to the other. (Hear, hear.) But that some part, and probably a large part of the fall, has been owing distinctly to the appreciation of gold, I hardly think can be disputed. (Hear, hear.) If it is, I should have to cite a whole host of witnesses, who are great authorities, in support of that contention. The very first that I should call would be my right hon. friend, the present Chancellor of the Exchequer, for no one in this country has expressed himself more emphatically or ably on that point. (Hear, hear.) Then next I should cite the opinion of a very eminent statistician in this country—I refer to Mr. Giffen, of the Board of Trade—who has frequently maintained the same proposition; and this opinion I regard as all the more important and impartial, for I have the best possible reason to know, though I do not at all despair of him in future, that he is not converted to the bimetallic view, at all events at present. (Hear, hear.) Sir, I might also quote the high authority of Lord Beaconsfield, who in one of the last speeches that he ever made in the House of Lords, it was in the year 1879, expressly adopted the theory of the appreciation of gold. He was speaking in a debate on agricultural depression, and he attributed the depression to three causes in particular—bad harvests, foreign competition, and the appreciation of gold. “Gold,” he said, after arguing the question minutely and at considerable length, “is every day appreciating in value, and, as it appreciates in value, the lower become prices. This, then, I think, is the third cause.” That was the view of Lord Beaconsfield, who also spoke at

Glasgow, I remember, about the same time, in a very remarkable speech which he made on the same subject in which he spoke in precisely the same sense. Besides those great authorities, I should cite the Report of Lord Iddesleigh's Commission on the Depression of Trade. The majority report of that Commission was signed by 19 out of the 24 Commissioners, and in their enumeration of the influences which had tended to produce depression they gave "a leading place," to use the language of the report, to the fall in prices due to the appreciation of the standard of value. Finally I should come to the report which we are now engaged in discussing, in which all of the Commissioners, some in a greater and some in a less degree, acknowledge distinctly the fact of the appreciation of gold. Now, Sir, I hope I am not wearying the House—"No, no"—but may I pursue this subject a little further? Some people, I know, maintain that the fall in prices may be altogether accounted for by a greatly increased production of commodities in all parts of the world, and by greatly increased facilities for their production. (Hear, hear.) There are others, again—and that is the view of six of our colleagues on the Commission—while admitting that the appreciation of gold is undoubtedly a factor, and probably an important factor in the case, nevertheless attribute the chief part of the fall to causes directly affecting commodities themselves. In that contention, Sir, however, it seems to me that they are met with two formidable difficulties at once. They appear to forget that *pari passu* with this greatly increased production of commodities there has taken place, firstly, a widely increased area of civilisation; and secondly, an immense addition to the population of the world. And there is certainly no proof, and, so far as I know, no reason whatever to believe, that, in proportion to the demand and to the increased population, the supply of commodities to-day is greater than ever it was

before. That is one difficulty, and the other is this: Are we to suppose that none of these incentives to increased production were in operation, and that, if they were in operation, they had no effect prior to the year 1873? I cannot find the slightest proof either that the supply of commodities generally has increased, or that the cost of production has diminished at a greater rate in the last 10 or 15 years which have elapsed since the rupture of the bimetallic par, than was the case in other periods of like duration previous to that date. On the contrary, it would seem to be absolutely certain that it was shortly after, and no doubt in consequence of the great discoveries of science, the invention of steam, of electricity, and the telegraph, that the most marked advances in production were apparent. The cost of production was lessened, and the facilities were increased at that time by the introduction and aid of machinery in a greater degree than they have ever been since then, and yet there is no record of any general or permanent fall in prices such as that which we have seen of late. I frankly acknowledge that facilities for production are habitually increasing, and the cost of production is constantly becoming less; but they are factors which have been in operation since the world began, and while I recognise their tendency to gradually depress the prices of commodities, I maintain that they are not sufficient in themselves to account for this wholly exceptional and abnormal fall in the prices of commodities in all gold-using countries which has been apparent since the rupture of the bimetallic par, and only since that time. (Hear, hear.) And until these objections which I urge against the theories which are advanced on the part of our opponents are met and fully answered, I must be permitted to argue my case upon the assumption that there has been a distinct appreciation of gold as a fact which can neither be disputed nor denied. Now, why has gold appreciated, and what is the meaning of the term? Gold has appreciated, in my humble

judgment, for the simple and sufficient reason that gold, since 1873, has had to do, so far as the metals are concerned, a larger proportion of the work which formerly was done partly by gold and partly by silver. Consequently, in proportion to the work which it has had to do, gold has become relatively scarce, and therefore more valuable than it was before. This is, of course, a gain and a great advantage to those who are fortunate enough to be owners of gold ; but it is a corresponding loss to the owners of every other kind of property and commodity in the world, and above all to the working classes of this country, for the great commodity which they have to sell, and which they must exchange for gold, is the labour and the toil of their families and themselves. Now, the answer to this argument, of course, is this : " That is quite true, but the appreciation of gold cuts both ways. If you get less for what you have to sell, so also you give less for everything you want to buy, and it comes to the same thing in the end." Now, that, again, would be perfectly true, and the argument would be unanswerable, if there were no such things as fixed charges and obligations to pay in gold already in existence, and if the prices of all commodities had fallen exactly in the same proportion. But then we know that that is not the case ; and what I want to lay stress upon is this, and what I want to impress upon the House is this—that however greatly gold may continue to appreciate, however much more valuable it may become than it was before, all these fixed charges and obligations must be met in full, whatever it may cost the debtor to obtain the amount of appreciated gold which is necessary to meet them. Now, I ask the House to consider what an enormous burden is imposed in this way upon the industries of the country, when we remember that the fixed charges of one kind or another are estimated by very competent authorities at no less, take them altogether, than the gigantic sum of 4,000 millions of

money. Now, I do not vouch for the accuracy of these figures myself, although I have great confidence in the general accuracy of those who are responsible for them. But in order to avoid any possible exaggeration, let us take them at one-half, which must be well within the mark; for we know that the National Debt and the Municipal Debt of the country alone is estimated at 1,000 millions, and the mortgages upon all kinds of property in the United Kingdom are estimated to be another 1,000 millions also. Now, what does all this mean? What it means is simply this—that as gold appreciates, and precisely in the same proportion in which it does appreciate, so much more of the produce and of the labour of the country must be given in exchange for the gold which is necessary to meet these obligations. The only way in which the gold can be obtained is by exchanging for it something that there is to sell; and, excepting land which is unreclaimed and in a natural state, and therefore practically worthless, I know of nothing that there is to sell which is not the product of the labour of the country. Now, those who gain by the present state of things are the great gold capitalists of the country, whose capital is invested, not in industrial undertakings which provide employment for great numbers of people, but in fixed investments, and also the limited class who are in the enjoyment of fixed incomes or pensions, which are payable in gold. Those who suffer, on the other hand, are the workers and the producers of the country. The former class can be counted by thousands, and they are a mere fraction of the community as a whole; the latter class, upon the other hand, represents the masses and the millions of the people, and that is why I hold that in a condition of society like our own the appreciation of the standard of value causes, and must always cause, serious and important evils to the great majority of the community. Well, now, Sir, I pass from this subject, and I come to the

second consequence which has resulted from the monetary changes—namely, the wide divergence in the relative value of silver and gold. It has taken the form of a heavy fall in the gold price of silver. Silver was valued, as I have shown already, in 1873, in the proportion of $15\frac{1}{2}$ of silver to 1 of gold; now it has fallen to 22 to 1. Silver, which was worth in 1873 60d. an ounce, is now, according to the latest quotations, worth only 42d. an ounce. The rupee again, which is the coin of the realm in India, was formerly worth something very nearly approaching to 2s. Now it is worth only 1s. 4d. Now, that shows how serious has been the fall in the gold price of silver; but silver is the subject not only of a fall in price, but also of constant fluctuations in its value as well, and by these two causes—namely, by the fall of silver and by the constant fluctuations in the value of silver—a whole variety of interests are affected in a whole variety of ways. Now, let me take the effects of the fluctuations in the value of silver first. Their mischievous effects upon trade, and in particular upon the finances of India, are admitted by all, by the opponents quite as much as by the advocates of bimetallism. Let me take, to begin with, that portion of our trade, for instance, which is conducted with silver-using countries. It forms a large and important portion of the whole. What is the position of the English merchant in that case? Every transaction into which he enters is always liable to a possible alteration in the value of the metal in which he has got to be paid. Either he must take that risk or he must insure himself against it. Either alternative inflicts an additional burden or a loss on him, and to that extent his trade is hampered and is made less profitable than it was before. I think it must be obvious that trade between two countries which use the same metal as their standard, is free from the risk and inconveniences to which trade is always liable between two countries one of which uses

gold and the other of which uses silver as the standard. Unless, indeed, the relative value of the two metals remains always practically steady, as it did prior to 1873, when, of course, it makes very little difference at all. Now, one effect, then, of this constant fluctuation, is to encourage and to stimulate trade between two silver-using countries, to the prejudice and great discouragement of trade between countries one of which, like England, uses gold, and the other of which, like India, or China, or Japan, uses silver. There is a very remarkable illustration of this argument to be found in some figures which are given in the report. They will be found in Section 76, at page 27 of the report. They refer to the growth of the export trade in cotton yarns between India and other silver-using countries, as compared with the same export trade in England during the period of the ten years which elapsed between 1877 and 1888, and what they show is this—I won't detain the House by dwelling on the particulars: That while in England during those ten years that particular trade has been practically stationary, in India it has increased by absolutely over 1,000 per cent. Now, that state of things, no doubt, is owing partly to the fall in the price of silver and to exchange conditions, as well as to the constant fluctuations; but in any case it shows that apparently we are steadily losing—if indeed we have not lost it altogether already—that important portion of our trade with the East; and that, I venture to think, is a grave and important consideration which is well deserving of the attention of the House. This is all the more remarkable when we remember that it was shown in evidence before our Commission, which has never been contradicted or disputed up to the present time, that, after allowing for all the advantages of cheap labour in India, after allowing for the saving of the cost of transport and allowing for the advantages of having the material on the spot, yet, notwithstanding

all this, it was conclusively proved before our Commission, at all events, I believe, to the satisfaction of the majority of the Commission, that we are able to manufacture those particular goods at so much per pound cheaper than they can be manufactured in India. And, moreover, that evidence was afterwards confirmed by a decision of the Chamber of Commerce in Manchester itself, after a committee of that Chamber had been expressly appointed to inquire into and to sift this question to the utmost. Now, Sir, I turn to another point, and I take the case of Indian finance, which suffers both from the fall in silver and from the fluctuations as well. India, it must be remembered, owes a large debt in gold. She has to make payments annually in gold, amounting altogether to 15 millions sterling. Her revenue at the same time is collected in silver, part of which must be afterwards exchanged for gold in order to enable her to meet her obligations. Now, with the rupee valued at 1s. 4d., it obviously takes a vastly increased number of rupees to exchange for 15 millions sterling, compared with what it did when the rupee was worth 2s. The difference at present amounts to some 70,000,000 rupees a year, all of which has to be met by greatly increased taxation, which would not be needed and would not be necessary but for the fall in the value of silver which has occurred. India, we must remember, is taxed already, and I am sure that I shall have the support and the sympathy of my honourable friend the Under Secretary of State for India in saying this; for he spoke with evident feeling and very much consideration in the interests of the Indian taxpayer only the other night. India is taxed already to as great an extent as she ought to bear, and probably to the very limit, I suspect, which she can bear. [Mr Maclean dissented.] I defer, of course, to the great authority of my honourable friend, who is more conversant with Indian matters than I am; but yet I think I have heard great authorities express the opinion

that, in the event of its being necessary to impose any greatly increased taxation upon that country, it might not improbably lead to grave political complications which every well-wisher of the Empire would desire to see averted. (Cheers.) But that, Sir, is not all, for the fall in silver has been hitherto progressive, and no one can say that a further fall in silver may not occur at any moment, and, consequently, with the value of silver constantly changing, it is impossible for any minister or any statesman, however experienced he may be, to forecast with anything like accuracy what revenue may be required, or what number of rupees he must collect in order to meet his obligations. All his calculations may be turned upside down at any moment by some sudden and unexpected fall in the price of silver; and that is why Indian Budgets are so constantly upset at the last moment by what is called a fall in the exchange, and that is why they suffer so severely by what is known as loss by the exchange. Many people think, and I confess I am inclined to take that opinion for my own part, that unless something is done shortly to deal effectively with this question we must look forward to further considerable falls in the price of silver. Look at the position in America at this moment. The Bland Act, which requires the annual coinage of a *minimum* amount of silver in the United States, undoubtedly exercises for the time a very great and a very steadying influence upon the value of that metal. (Hear, hear.) But if we in England continue to persist, as we have done up to now, in ignoring all the difficulties which are everywhere created by the present position of the silver question, it is not impossible by any means that America may refuse to continue coining silver, and that she may think fit to suspend the Bland Act altogether. At all events, that is a matter entirely within her own discretion, and in respect to which we are absolutely at her mercy at the present time. If she did, it is no exaggera-

tion to say that we should be immediately confronted with something not very far removed from the bankruptcy of India. The rupee would go down in all probability to a shilling, and possibly even lower than that. And as every fall of a penny in the value of the rupee makes the difference of a million sterling to the Indian Exchequer, we may find ourselves confronted any morning, by the action of America, with the deficit of, it may be four, or five, or six millions sterling in the Budget of that portion of the Empire. Now, I ask the House, is that a condition of affairs which we ought to tolerate? Is that a position in which we are justified in allowing any portion of our Empire to be situated for one single moment longer than we can help? I noticed an amendment on the paper standing in the name of the honourable baronet opposite (Sir Joseph Pease), in which he admits that the present state of things has had an injurious effect upon Indian finances; but yet he says that it does not warrant either Parliament or the Government in taking any action in the matter in the direction which we desire. Well, Sir, I can only say that I differ from my hon. friend, and I am supported in my views by some of the highest possible authorities upon this question. I should like, if the House will allow me, to read a letter which Lord Dufferin was kind enough to write to me on this subject some weeks ago. I had previously written to him asking him his opinion as to the effect of this upon the finances of India. It is dated Rome, April the 24th, 1889, and is as follows:—

“My dear Chaplin,—In reply to your letter of April 14th, I can only say that, as Viceroy of India, my attention was continually pre-occupied with the terrible difficulties affecting Indian finance, not only by the depreciation, but, what was even worse, by the fluctuations in the value of silver. (Hear, hear.) The decrease of a penny in the value of silver is

tantamount to the loss of a million to the Indian Exchequer. In framing our Budgets we always felt ourselves face to face with an unknown and immeasurable disturbing force, which had the power of overthrowing all our calculations, and had not my Government possessed advisers of great financial ability the results would have been most disastrous. Consequently, from an Indian point of view, I have no hesitation in saying that any means which could be devised for maintaining a steady relation between the value of gold and silver would be of the greatest benefit, not only to the Government of India, but to all classes of the Indian community; for, though I have heard it argued by some persons of financial knowledge and ability in India that the depreciation of silver has been beneficial to the export trade of the country, there can be no doubt that, even from their own point of view, the constant fluctuation in the relative value of the two metals was a detriment to commerce."

The remainder of Lord Dufferin's letter deals with the adoption of bimetallism in England, a portion of the question which he says he has not had time to examine with sufficient accuracy or care to justify him in expressing an opinion. Well, now, Lord Dufferin is a man, as everybody knows, of the highest possible experience and ability, and his views upon the question of Indian finance are so important that I am sure the House will pardon me for reading his letter. I am sure they will agree with me that on matters connected with India, whatever Lord Dufferin says is deserving of the careful attention of this House. (Hear, hear.) I must apologise for speaking at such length, but I am afraid it is impossible to deal with this question very shortly. (Hear, hear.) So far, Mr. Speaker, I have been dealing with results of the divergence which are not denied by anyone. They are described by Lord Herschell and his friends in that part of the report which they have signed as the proved evils which have been brought before

them. I am very anxious that this should be clearly understood, because it affords another answer to the statements which are being so constantly and so erroneously made, in my humble opinion, as to the wholly inconclusive character of our report. So serious, I confess, do I regard these proved evils as being, for my own part, that on those grounds by themselves I should be quite prepared to urge the recommendations which we make, even if they stood alone. But they do not stand by any means alone. There are other industries nearer home which are closely connected with the divergence in the value of the metals: the manufacturing and the agricultural interests of this country. I will take the great cotton industry of Lancashire for one, with the millions of people which it employs, and the great wheat-growing industry of this country for another. Both of these important industries are affected by the fall in the exchange, because the exchange operates on all commodities which pass between gold and silver-using countries, and both cotton and wheat are included in them. It will be obvious, I think, to the House that anything which vitally or injuriously affects either of these great industries cannot be a matter of indifference, and must be most injurious to the working classes themselves, so many of whom are dependent on them for their means of livelihood and support. Now, in order to understand the effects of the exchange, two things must be borne in mind to begin with. First, that, unlike the case in England, the prices of commodities in India have not altered, but have remained practically stationary as they were before. And the second is this, however much the rupee may have fallen in relation to gold, in relation to commodities in India it has not fallen at all. In other words, the same number of rupees will no longer exchange for the same amount of gold as formerly; but they will exchange for—that is, they will purchase—as much of any commodity or commodities in

India as they ever did before. Now, that is a point upon which I may say that every witness whom we examined before the Commission was practically unanimous, and that is the opinion, I believe, at which the Commissioners also unanimously arrived themselves. Now, the effect of this state of things can be seen in a moment, and it is said to give a great advantage to the Indian producer in the goods which he exports to England, and to operate exactly like a hostile duty against English imports into India. I should like to show in half a dozen sentences how the export of cotton from this country to the silver-using countries is affected by it. Take the case of cotton goods which are sent from Lancashire to Bombay, on which, in order to make a profit, it is necessary to realise the sum, we will say, of £10,000. With the rupee at 2s., £10,000 is realised by the payment of 100,000 rupees; with the rupee at 1s. 4d., it takes, upon the other hand, 133,000 rupees to realise that sum. Now comes the question, Will the Indian importer give, can he afford to give, this greatly-enhanced price for precisely the same article which he bought before? Obviously he can't, and we know that he can't, because, as I have shown already, prices in India have remained practically the same. The English exporter, therefore, must either be content to take the old silver price—namely, 100,000 rupees, which at the present rate of exchange means only £7,500, instead of £10,000, which he got before, or he must forego his sale. In either case he undergoes a most disastrous loss, which must directly be traced to the fall in the value of silver. That is an illustration of the effects upon the cotton industry. Sir, I won't dwell any more upon this point, because there are so many other members of the House far more competent to deal with it in all its details than I can pretend for a moment to be myself. Well, now, let me take the case of wheat which is brought from India to England. It is exactly the converse

of the last case. When wheat is making 40s. the quarter, and the rupee is worth 2s. in India, the English grower, of course, gets £2 for his wheat and the Indian producer gets 20 rupees. Wheat, however, now has fallen to 30s. and the rupee has likewise fallen, say, for the sake of argument, to 1s. 6d.—as a matter of fact it has fallen a great deal more. The English grower, therefore, is getting less by 10s. per quarter for every quarter he sells. The Indian grower, upon the other hand, is saved from any loss by the fall in the exchange. £1. 10s. in gold will still exchange with the rupee at 1s. 6d. for 20 rupees, and those rupees, when he gets them, will buy as much of any commodity or commodities for the Indian grower as they ever bought before. He is enabled, therefore, by the fall in the exchange, to take the lower price of 30s. a quarter, which presumably he could not otherwise afford, and as the export of wheat from India to Europe has reached already very large dimensions, the market price of wheat in this way is unnaturally depressed in all the gold-using countries of the world. Now, the difficulties of agriculture and of the wheat-growing interest are great enough, God knows, already! (Hear, hear.) I put aside, and I hope the House will put aside for the moment all questions of Protection and of Free Trade. I ask them to consider this: Is it wise?—Is it statesmanlike?—Is it sound policy upon our part to view with complacency the possible ruin and destruction of two great industries such as those which I have named by purely artificial means, and which are nothing else but the result of foreign legislation? (Hear, hear.) Ought we to acquiesce in it for the sake of a possible increase in momentary cheapness, remembering that any further considerable fall in the value of silver may close every single mill in Lancashire to-morrow—(hear, hear)—and may render it impossible to grow with profit one single quarter of the grain which is our staple food in this country

for the future. If it is, I must confess that I am quite unable to understand the doctrines of the modern Free Trade School. They seem to me to have degenerated into nothing but a cry for "cheapness at any cost," no matter how it be produced, and, as I believe, they are directly in contravention of the teachings and the principles of Mr. Cobden himself. Now, Sir, if the House will bear with me a little longer, I will explain in half-a-dozen words what it is that we propose. What we propose is simply to revert to a system such as that which prevailed upon the Continent prior to the year 1873. But in order to do this it is necessary, in my humble opinion, that Germany and the United States, together with the countries of the Latin Union, should join with the United Kingdom in an agreement for the purpose, and accordingly we desire and we are anxious that Her Majesty's Government should consult the chief commercial nations as to their readiness to join in a conference with the United Kingdom for the purpose of considering this question. There is good reason to believe that they would not be indisposed, and that they would be willing to concur in that proposal. And we think, Sir, that it is neither an extravagant nor an unreasonable proposition for us to make. The main difficulty which is always held up to us is this—namely, the ratio which is to be fixed, and we are always asked what ratio it is that we propose. The answer to that question appears to be simple, and, I think, conclusive. Obviously that is a matter which can only be settled by the nations and communities who are directly concerned. (Hear, hear.) I should say that the view of the bimetallists generally was this—that almost any ratio would be better than none; but that it is idle for them to lay down a hard and fast line as a preliminary to negotiations upon a point which can only be settled by the conference itself. (Cheers.) Neither, Sir, I confess, have I ever been able to see the great difficulty in connection with the ratio

by which some people are apparently dismayed. The ratio, in my judgment, is one of those questions which is certain to settle itself; and long before it is enacted by any legislation, the market price of silver, I think we may be pretty sure, will conform to any ratio which is proposed. I do not know if the House would wish me to anticipate any of the objections which are made commonly to our proposals. If it does, I can only do it with the utmost possible brevity. Perhaps I may be permitted to answer one of them, at all events. The stock argument, the standard argument, of course, against the whole of these proposals is this—that you cannot fix by law the relative value of the metals. [Sir R. Fowler: Hear, hear.] I might say in reply to the “hear, hear” of my hon. friend that no doubt it is a matter of opinion, but that the twelve Commissioners, at all events, think you can; and I might further say this—that what I am told cannot be done, has been done already, and with complete success, for at least a hundred years. (Hear, hear.) I take my stand on these two facts, and I am content to take my stand on them alone, first upon the remarkable steadiness of the ratio during the whole of the period while the foreign mints were open, and the still more remarkable divergence in the value of the metals since these mints were closed. It rests with you, it rests with my hon. friend behind me (Sir R. Fowler) to show what are the circumstances which render it impossible to-day, which were not in operation every one of them prior to 1873. No one has succeeded in doing this at present, and until it has been done, and I do not think it ever will be done, it is useless to pursue the subject further. Now, Sir, there are a vast number of other objections which have been raised; but I doubt whether it would be right for me to keep the House while I endeavour to answer them. We are told, however, that this is nothing but an endeavour to raise prices, and in reply to this I should like to point to

the report of the Commission—I cannot find the exact place now, but at the end of the second report, which is signed by Lord Herschell and his colleagues, there will be found a memorandum of one line and a half signed by the great advocate of cheapness at the present day, namely, Sir Thomas Farrer, in which he says distinctly that, in his opinion, these monetary changes have done nothing to lower prices. Well, if that be true, then our proposals will do nothing to raise them, and if that is so, we should get rid of all the proved evils of which I have spoken by our proposals, without any of the objections which Sir Thomas Farrer and his friends might advance upon the ground of prices. If I am asked my own opinion, I venture to think that in the course of years, and by degrees, the effect of the adoption of our proposals would be in a modified degree something like the effect of the great gold discoveries in former years. Well; was there any harm in them? I have always understood that they led to, and that they preceded a period of universal prosperity such as we have seldom seen. If that is not sufficient as a reply to my opponents, I would ask them to consider this: Cheapness may arise from either of two things. It may be due either to an increased facility of production, or it may be due to a contraction of the currency. We have nothing to say, nothing to urge, and we propose nothing whatsoever against cheapness which arises from increased facilities of production; but cheapness which arises from a contraction of the currency we regard as an undoubted evil—(hear, hear)—for a great variety of reasons which are dealt with in that report, and which I might deal with at great length in this House. Moreover, I might say this, that if that is the view of honourable gentlemen opposite, that cheapness arising from that cause is desirable, it is a kind of cheapness which you can always command, and produce at any moment that you like; you have nothing to do but to limit or suspend the coinage of

gold in precisely the same way as the coinage of silver has been limited and suspended on the Continent, and you will enforce in a very few years an amount of cheapness which no doubt would be delectable to a great many honourable gentlemen, I do not say on that side of the House, but to all honourable gentlemen wherever they sit who regard cheapness, no matter from what cause it proceeds, as the greatest blessing that can be obtained. Now, Sir, I was observing an article this morning written in the *Economist* in which they challenged the bimetallists in the course of this debate to answer some of the objections which were urged to our proposals. I will not keep the House more than two or three minutes; but I do so the more readily because I think, although, as far as I have observed, they are bitterly opposed to us, that they represent a section of the Press—one or two sections perhaps—which has given much study and attention to this subject. We are asked this question: “How is it that you can reconcile your theories with the fact that prices and wages are rising at the present time?” Well, Sir, I commenced my observations by acknowledging that there were many other causes which had contributed to the fall in prices in addition to the appreciation of gold, and I further stated it was impossible to decide how much was owing to the one cause and how much was owing to the other. The fact of there being a rise in prices and wages at the present time, no doubt, is to be accounted for by the fact that some of these other causes are ceasing to exercise their full operation. I venture also to point out that the rise in prices and in wages is not by any means universal; and that in many industries in this country at the present time the position is not one whit better than it was before. Then we are asked to explain this. Trade, they say, has increased more between England and silver-using countries than it has elsewhere. That, they declare, is totally inconsistent with our theories. Sir, the explanation is simple

and, I think, complete. The ports of all the silver-using countries that I know of are free and perfectly open to the admission of English goods to any extent which we may desire to send there ; but everybody knows that the ports of nearly all the gold-using countries of the world are becoming more and more closed to us every day by hostile and sometimes by altogether prohibitory tariffs. (Cheers.) Then it says if the fall in silver gives a bounty, as you declare, to the producer in the silver-using country, how is that compatible with your statement that the present state of things inflicts an injury upon India ? Why, Sir, I have already pointed out that the present state of things involves the necessity of £6,000,000 sterling additional taxation, which would not otherwise be required. Am I to be told by any hon. gentleman on that side of the House, or any other gentleman in the country, that it is either wise, or right, or statesmanlike, or judicious to impose £6,000,000 of taxation on a people in order to bolster up two or three particular industries in that country ? Then they say that it is against the Indian producer. My answer, Sir, is this : Why are we to continue to acquiesce in foreign legislation which is producing most unfortunate effects upon a vast number of producers in this country ? I confess if I had to choose between the interests of Lancashire in cotton-spinning and Bombay—if I had to choose between the two, I should take Lancashire in preference. It may be a very unfortunate thing that we should do anything whatever to interfere with the interests of the cotton industry in India ; but am I to be told that it is not a ten times more serious thing that you are to threaten with ruin and destruction the great cotton industry of Lancashire ? (Cheers.) Again, Sir, I would ask this question : If it is a choice between the rajahs and the ryots in India, and the labourers and the farmers and the landlords in this country, why should we bolster up the one at the expense of and at the ruin of the

other? (Cheers.) Now, Sir, I think I have answered, as far as I know—I admit very imperfectly, because I really do not wish to detain the House a moment longer—some of the objections which I anticipate will be urged to our proposal, and I cannot venture, with an approach to decency, to prolong my observations any longer; I believe I have trespassed far too long already. (“No, no.”) It has been exceedingly difficult to endeavour to state this case with anything like brevity, and I am the more sensible of the exceptional kindness and attention which the House has shown me. (Hear, hear.) I am sure of this, and I hope the House will believe me, I do not in the least, or in any degree, desire to dogmatise upon this question, or, as it were, to endeavour to force my views down the throats of others upon a question which is admittedly of a difficult, and most intricate, and most complicated character. But it so happens that it has been my fortune, and it became my duty to pay some attention to this subject, and I became profoundly convinced of its importance. I have, therefore, tried to submit to the House upon this occasion some reasons which should make it in their opinion deserving of the full and careful consideration of the House. On the merits of those reasons, and of the arguments which I used to-night, it must be for others—for the House—to judge, and not myself. What I ask them to remember is this—the extremely moderate character of the proposals we make. We maintain, Sir, and we urge that this question deserves the fullest and most careful consideration of Parliament and of the people, and, more than that, of those who alone can give effect to it, namely, the chief commercial nations of the world. We ask them—and that is the limit of the demand we make to-night—that it should be so considered. The ultimate decision of the question must always, as a matter of course, rest in the hands of the House of Commons, and surely, therefore, Mr. Speaker, the proposal I submit is not

an extravagant request for a member of the English Parliament to make. Surely it is not too much for the English House of Commons to concede. I beg, Sir, to move the resolution which I have placed in your hands. (Cheers.)

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STATEMENT.

UNTIL the year 1873 the ratio at which Gold and Silver were interchangeable was steady, because the Mints of France and other European countries were open to all the world for the unlimited coinage of both metals on the fixed basis of $15\frac{1}{2}$ Silver to 1 of Gold.

* It may be stated generally that during the last century the national unit of coinage which constituted the standard of value in the principal countries practically rested on both metals, silver being usually the nominal standard with gold rated to it, at the discretion of each Government.

In the United Kingdom, from 1717 to 1816, this system prevailed, the ratio of gold to silver having been fixed at 1 to 15·21.

In the United States of America the double standard was originally adopted in 1786 with a ratio of 1 to 15·25; changed in 1792 to 1 to 15, and in 1834 to 1 to 16.

In 1803 the double standard, with a ratio of $15\frac{1}{2}$ to 1, was definitively adopted by France, and in 1865 the formation of the Latin Union, ultimately consisting of France, Italy, Belgium, Switzerland, and Greece, extended and confirmed it.

Owing to this, the par of exchange between Gold and Silver Standard countries kept practically uniform, and Silver, as fully as Gold, performed the functions of money throughout the world.

The action of England in 1816, in adopting the single Gold Standard, did not disturb the steadiness of the ratio between the two metals, so long as the Continental Mints remained open to Silver; but when Germany in 1873 decided to adopt the single

* This and the following paragraphs are from the NOTE appended to the Final Report of the Royal Commission on Gold and Silver, by the Right Hon. Sir Louis Mallet, C.B., one of the Royal Commissioners.

Gold Standard the old equilibrium was destroyed, because France and the other Bimetallic countries, in view of the heavy sales of Silver made by Germany, suspended their free coinage.

This action caused the price of silver, as quoted in Gold, to fall, and it has since fluctuated violently, affecting all international exchanges between Silver Standard and Gold Standard countries. In the case of India the Rupee, formerly worth about 2s., has gradually dropped below 1s. 5d. in English money, with increasing uncertainty as to its prospective exchangeable value as against Gold.

The substitution of Gold for Silver, and the greater amount of exchange work that is in consequence thrown upon Gold, has led to the appreciation of that metal, and to a fall in prices of commodities, as measured in Gold, which is everywhere visible, and everywhere baneful in its effects upon commerce, upon manufacturing and agricultural industry, and upon the growth of employment necessary to provide work for our rapidly increasing population.

Convinced of the evils resulting from existing conditions of our Monetary System, and of the hindrance to trade and agriculture, which are largely due to the disturbed relation between Gold and Silver, we appeal to everyone for co-operation in carrying out the objects of the League.

There is every encouragement to press the matter, seeing that the United States of America, France, Germany, and Holland are willing and eager to co-operate.

These Powers, it is known, will not move without England, and under an erroneous conception of the advantages of a single Gold Standard, this country has hitherto stood aloof.

The Final Report of the Royal Commission on Gold and Silver is however of a character so favourable to the Cause of Bimetallicism that the question is now thoroughly ripe for settlement.

It is advisable, therefore, that the facts of the case may be made widely known throughout the country, in order to bring the force of public opinion to bear upon Parliament and upon the

Government, so that England, instead of being a barrier in the way of an International convention, may take her due share in the settlement of a question so vital to the well-being of the Empire, so essential to the interests of British and Irish Agriculture, and of commerce everywhere, and to the financial stability of India.

Any further information concerning the League may be obtained from the Secretary, Mr. Henry Mc Niel, F.S.S., Haworth's Buildings, 5, Cross Street, Manchester, who will also acknowledge Subscriptions and Donations.

The League comprises Members and Associates, the Annual Subscription of the former being One Guinea, and the latter 2s. 6d. Cheques to be made payable to the Secretary.

EXTRACTS FROM THE FINAL REPORT OF THE ROYAL COMMISSION ON GOLD AND SILVER, 1888.

PART I.

(Signed by all the members of the Commission.)

Sec. 115.—"The Remedy which has been put before us most prominently, and as most likely to remedy the evils complained of to the fullest extent possible, is that known as Bimetallism."

Sec. 190.—"Prior to 1873 the fluctuations in the price of silver were gradual in their character, and ranged within very narrow limits. The maximum variation in 1872 was $\frac{3}{4}$ d., and the average not quite $\frac{1}{2}$ d., while in 1886 the maximum was $2\frac{1}{4}$ d., and the average nearly $1\frac{1}{2}$ d. It has not been, and indeed hardly could be, suggested that this difference can be accounted for by changes in the relative production or actual use of the two metals."

Sec. 191.—"The explanation commonly offered of these constant variations in the silver market is that the rise or depression of the price of silver depends upon the briskness or slackness of the demand for the purpose of remittance to silver-using countries, and that the price is largely affected by the amount of the bills sold from time to time by the Secretary of State for India in Council."

"But these causes were, as far as can be seen, operating prior to 1873, as well as subsequent to that date, and yet the silver market did not display the sensitiveness to these influences from day to day and month to month which it now does."

Sec. 192.—"These considerations seem to suggest the existence of some steady influence in former periods, which has now been removed, and which has left the silver market subject to the free influence of causes, the full effect of which was previously kept in check. The question, therefore, forces itself upon us: Is there any other circumstance calculated to affect the relation of silver to gold which distinguishes the latter period from the earlier?"

"Now, undoubtedly the date which forms the dividing line between an epoch of approximate fixity in the relative value of gold and silver and one of marked instability, is the year when the bimetallic system which had previously been in force in the Latin Union ceased to be in full operation; and we are irresistibly led to the conclusion that the operation of that system, established as it was in countries the population and commerce of which were considerable, exerted a material influence upon the relative value of the two metals."

"So long as that system was in force we think that, notwithstanding the changes in the production and use of the precious metals, it kept the market price of silver approximately steady at the ratio fixed by law between them, namely $15\frac{1}{2}$ to 1."

Sec. 193.—"Nor does it appear to us *a priori* unreasonable to suppose that the existence in the Latin Union of a bimetallic system with a ratio of $15\frac{1}{2}$ to 1 fixed between the two metals should have been capable of keeping the market price of silver steady at approximately that ratio."

"The view that it could only affect the market price to the extent to which there was a demand for it for currency purposes in the Latin Union, or to which it was actually taken to the mints of those countries is, we think, fallacious."

"The fact that the owner of silver could, in the last resort, take it to those mints and have it converted into coin which would purchase commodities at the ratio of $15\frac{1}{2}$ of silver to one of gold, would, in our opinion, be likely to affect the price of silver in the market generally, whoever the purchaser and for whatever country it was destined. It would enable the seller to stand out for a price approximating to the legal coin, and would tend to keep the market steady at about that point."

PART II.

Signed by six members of the Commission:—

{ Lord HERSCHELL,
Sir JOHN LUBBOCK, Bart., M.P.,
Mr. J. W. BIRCH.

Hon. C. W. FREEMANTLE, C.B.
Sir T. H. FARRER, Bart.
Rt. Hon. LEONARD H. COURTNEY, M.P.

Sec. 9.—"However much opinions may differ as to the extent of the evil arising from the increased difficulty which a fluctuating exchange interposes, we do not think its reality is open to question."

Sec. 101.—"There cannot be two opinions as to the very serious effect which the continued fall in the gold price of silver has had on the finances of the Government of India."

Sec. 102.—"We are fully impressed with a sense of the difficulties which surround the Indian Government, and of the serious questions to which any proposed additional tax must give rise. It is not only the embarrassment which has already been caused to the Government of India that has to be borne in mind, but the impossibility of foreseeing to what extent those embarrassments may be increased and their difficulty augmented by a further depression in the value of silver."

Sec. 107.—"We think that in any conditions fairly to be contemplated in the future, so far as we can forecast them from the experience of the past, a stable ratio might be maintained if the nations we have alluded to* were to accept and strictly adhere to Bimetallism, at the suggested ratio. We think that if in all these countries gold and silver could be freely coined, and thus become exchangeable against commodities at the fixed ratio, the market value of silver as measured by gold would conform to that ratio, and not vary to any material extent."

Sec. 119.—"Apprehensions have been expressed that if a bimetallic system were adopted gold would gradually disappear from circulation. If, however, the arrangement included all the principal commercial nations, we do not think there would be any serious danger of such a result."

"Such a danger, if it existed at all, must be remote. It is said indeed, by some, that if it were to happen, and all nations were to be driven to a system of silver monometallism, the result might be regarded without dissatisfaction."

"We are not prepared to go this length, but at the same time we are fully sensible of the benefits which would accrue from the adoption of a common monetary standard by all the commercial nations of the world, and we are quite alive to the advantage of the adoption by these nations of an uniform Bimetallic Standard as a step in that direction."

PART III.

Signed by the other six members of the Commission:—

{ Rt. Hon. Sir LOUIS MALLET, C.B.
Rt. Hon. A. J. BALFOUR, M.P.
Rt. Hon. HENRY CHAPLIN, M.P.

Sir D. BARBOUR, K.C.S.I.
Sir W. H. HOULDSWORTH, Bart., M.P.
Mr. SAMUEL MONTAGU, M.P.

Sec. 28.—"We think that the above remarks upon the evils affecting both the United Kingdom and India, if taken in connection with the more detailed statement in Part I. of the Report, will sufficiently indicate our view as to their nature and gravity; and that they are largely due to the currency changes which have taken place in the years immediately preceding and following 1873."

"We think that too much stress cannot be laid upon the novelty of the experiment which has been attempted as the result of the above changes. That experiment consists in the independent and unregulated use of both gold and silver as standards of value by the different nations of the world."

"We are strongly of opinion that both metals must continue to be used as standard money; the results of using them separately and independently since 1873 have been most unsatisfactory, and may be positively disastrous in the future."

"It cannot be questioned that until 1873 gold and silver were always effectively linked by a legal ratio in one or more countries."

"It is equally indisputable that the relative value of the two metals has been subject to greater divergence since 1874 than during the whole of the 200 years preceding that date, notwithstanding the occurrence of variations in their relative production more intense and more prolonged than those which have been experienced in recent years."

* The United Kingdom, Germany, the United States, and the Latin Union.

"*Sec. 29.*—"In 1873-74 the connecting link disappeared, and for the first time the system of rating the two metals ceased to form a subject of legislation in any country in the world.

"The law of supply and demand was for the first time left to operate independently upon the value of each metal; and simultaneously the ratio which had been maintained, with scarcely any perceptible variation, for 200 years, gave place to a marked and rapid divergence in the relative value of gold and silver, which has culminated in a change from $15\frac{1}{2}$ to 1 to 22 to 1."

PROPOSED REMEDY

Sec. 30.—"It appears to us impossible to attribute the concurrence of these two events to a merely fortuitous coincidence. They must, in our opinion, be regarded as standing to each other in the relation of cause and effect.

"We cannot, therefore, doubt that if the system which prevailed before 1873 were replaced in its integrity, most of the evils which we have above described would be removed; and the remedy which we have to suggest is simply the reversion to a system which existed before the changes above referred to were brought about—a system, namely, under which both metals were freely coined into legal tender money at a fixed ratio over a sufficiently large area.

"The effects of that system, though it was nominally in force only within a limited area, were felt in all commercial countries, whatever their individual systems of currency might be; and the relative value of the two metals in all the markets of the world was practically identical with that fixed by the legislation of the countries forming the Latin Union.

"As regards the possibility of maintaining such a system in the future, we need only refer to the conclusion at which our colleagues have arrived in *Sec. 107, Part II.* (see above), and with which we entirely agree."

Sec. 34.—"No settlement of the difficulty is, however, in our opinion, possible without international action.

"The remedy which we suggest is essentially international in its character, and its details must be settled in concert with the other Powers concerned.

"It will be sufficient for us to indicate the essential features of the agreement to be arrived at, namely—

- (1) Free coinage of both metals into legal tender money; and
- (2) The fixing of a ratio at which the coins of either metal shall be available for the payment of all debts at the option of the debtor."

Sec. 35.—"The particular ratio to be adopted is not, in our opinion, a necessary preliminary to the opening of negotiations for the establishment of such an agreement, and can, with other matters of detail, be left for further discussion and settlement between the parties interested.

"We, therefore, submit that the chief commercial nations of the world, such as the United States, Germany, and the States forming the Latin Union, should in the first place be consulted as to their readiness to join with the United Kingdom in a conference, at which India and any of the British Colonies which may desire to attend should be represented, with a view to arrive, if possible, at a common agreement on the basis above indicated."

Sec. 36.—"We have indicated what appears to us to be the only permanent solution of the difficulties arising from the recent changes in the relative value of the precious metals, and the only solution which will protect this and other countries against the risks of the future."

PUBLICATIONS.

The Silver Pound and England's Monetary History since the Restoration, together with the History of the Guinea. By Hon. S. DANA HORTON. Price 14/-. Macmillan & Co., London.

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Gold and Silver Money. By PAUL F. TIDMAN, C.M.G. Price 1/-. Kegan Paul & Co., London.

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And numerous pamphlets to be had free, on application to the Secretary, Haworth's Buildings, 5, Cross Street, Manchester.

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